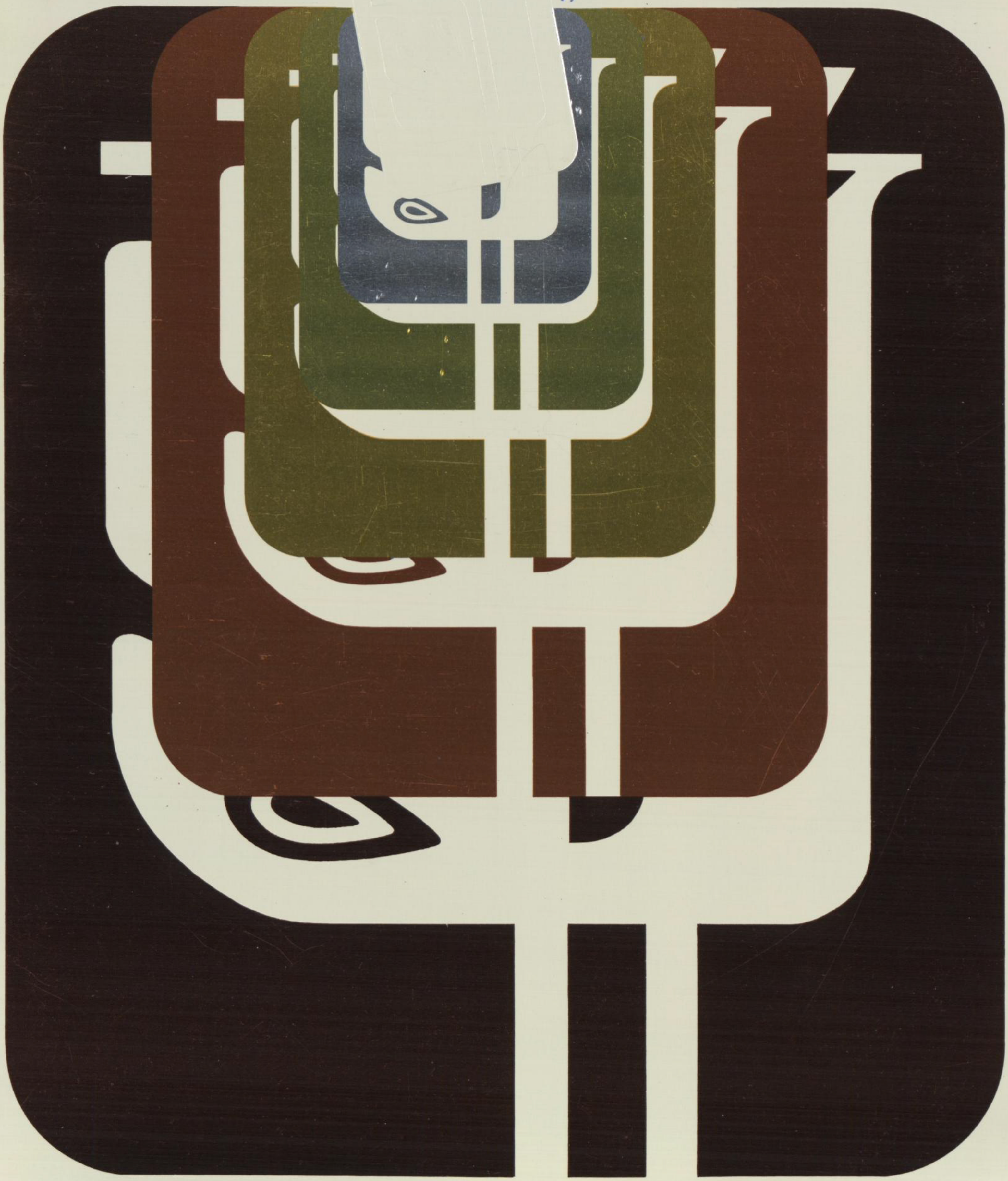
YOUNKER BROTHERS, INC.
1971 ANNUAL REPORT
FOR THE FISCAL YEAR
ENDED JANUARY 31, 1972



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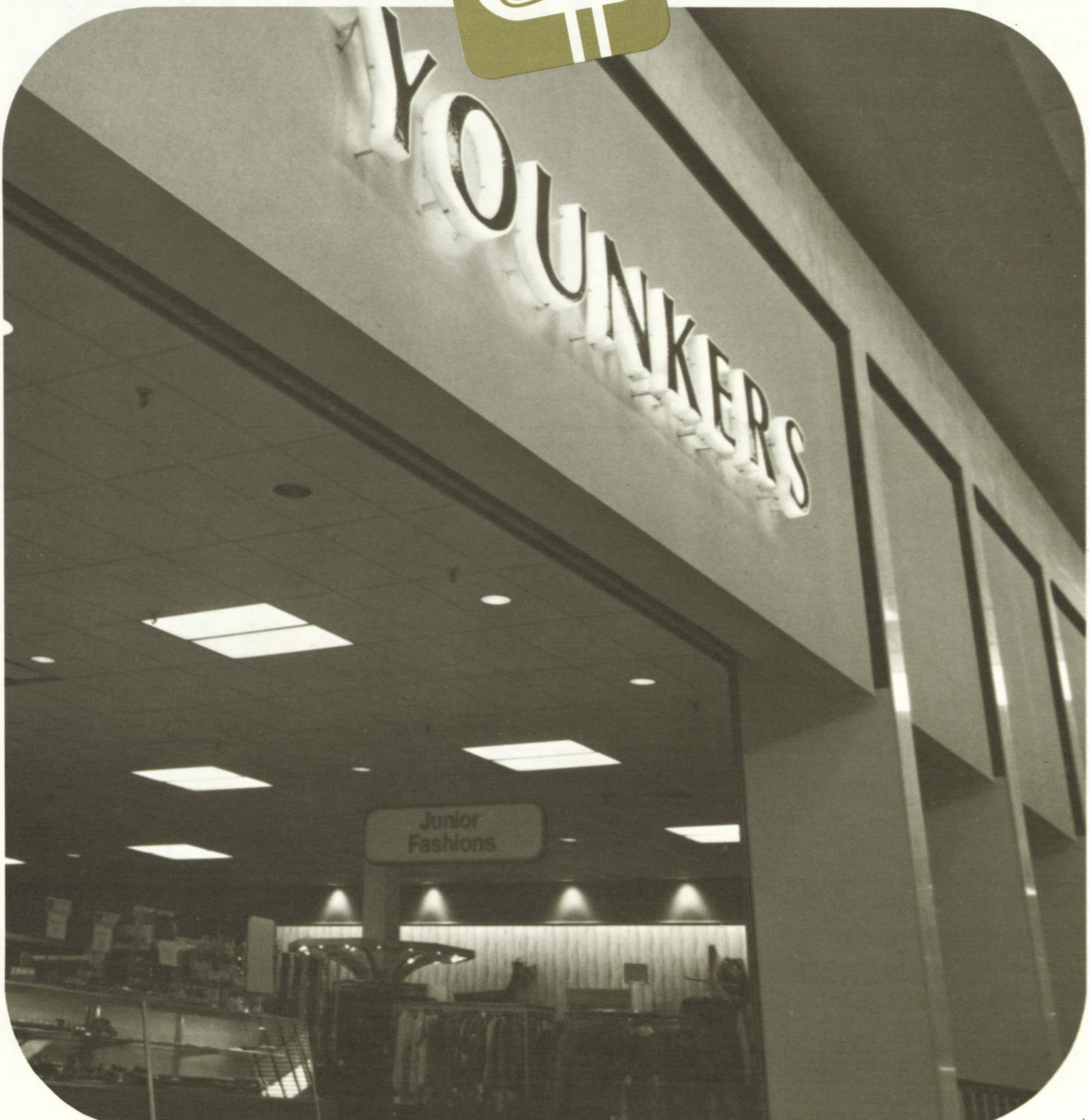


TO OUR STOCKHOLDERS

Younkers finished another year which we believe to be a good one, particularly in view of the fact that farm income declined for 1971 in our area. Sales for the year were $86,500,559 versus $83,300,527 for an increase of 3.8%. We did experience a slow-down of our sales during the last six months of 1971 and, of course, this was most disappointing. However, at this point in 1972, we are again experiencing a modest increase in sales. We are happy to report that our net earnings were at a very strong level of $3,729,054 which came to $2.27 earnings per share. This meant that we had a strong percentage of 4.3% of earnings on our sales and you will find that this high level of percentage of earnings is accomplished by only a relatively few department store organizations. We are looking forward to an economic improvement and we see no reason why Younkers cannot share in this growth. We do feel that we still have room for an even more effective expense control program in this business and we are working on this at the present time.

In late 1971, we opened a new 50,000 square foot suburban store in Ames, Iowa, which replaced the very small downtown store. It appears that the new store in Ames will be most successful. In addition, we are now getting ready to launch a new 40,000 square foot suburban store in Marshalltown and this will be followed by a 100,000 square foot store in Davenport and an 80,000 square foot store in Moline, Illinois. Obviously, it is expected that these new stores will add substantially to our growth.

We recently announced with General Growth Properties plans for a 100,000 square foot store on the south side of Des Moines to be known as Army Post Plaza. We are also in the process of participating in the enclosing of the mall of the Merle Hay Plaza Shopping Center in Des Moines and expect to be at work shortly with our third expansion at this location.

On April 3, 1972, Younkers' stockholders received a dividend paid in stock of General Growth Properties. The tax saving to your company through this stock dividend and the retention of cash will enable this business to expand its operation for several years without the need for any additional borrowing. General Growth Properties is a real estate investment trust with its principal office in Des Moines. It has an interest in a number of shopping centers, several apartment buildings and six Holiday Inns. In addition to a number of properties located in Iowa, General Growth has interests in Houston and Galveston, Texas, Colorado Springs, Colorado, Fayetteville, Arkansas and other cities.

On January 25, 1972, we were most happy to learn that the attorney-general's suit against Younkers involving our finance charge income on accounts receivable resulted in a favorable decision in the Polk County District Court upholding the validity of the finance charges made by Younkers. The attorney-general has now appealed this case to the Iowa Supreme Court.

In recent years, there has been a general misconception with regard to the profitability of finance charge revenues generated from credit sales. As testified to in court for the year ending January 31, 1971, and confirmed for the year ending January 31, 1972, the costs of credit exceeded finance charge revenues. In the year ended January 31, 1972, the cost of credit sales over finance charge revenue received exceeded $868,000. Legislation permitting specified finance charges was introduced in the Iowa legislature. The legislature adjourned without enacting any law but authorized a study committee to report to the next session of the legislature. We wholeheartedly support passage of appropriate legislation even though the court has upheld the validity of the finance charges being made. We feel that the present finance charge rates are essential to the economic well being of individual consumers.

Under the wage and price controls, we have found the cost of doing business is still rising and we are being handicapped by not being able to increase our retail markups. We are endeavoring to operate as efficiently as possible to safeguard our profit margin.

We are most grateful for the spirit of cooperation that Younkers enjoys as well as the indefatigable efforts of its associates. Again we state that we recognize our people who work here as our most priceless asset.

Respectfully submitted
in behalf of your
Board of Directors,

Charles Duchen

Charles Duchen, President

YOUNKER BROTHERS, INC. 10-YEAR HIGHLIGHTS

Year Ended Jan. 31	Net Sales Including Leased Departments	Earnings Before Income Taxes*	Net Earnings*	Earnings Per Share of Common Stock*	Dividends Paid Per Share of Common Stock	Net Assets Per Share of Common Stock*
1963	$61,223,838	$3,563,942	$1,818,942	$1.14	$ .56	$12.39
1964	63,527,473	3,787,075	1,891,075	1.20	.56	13.03
1965	66,973,075	4,580,620	2,420,544	1.54	.61	13.78
1966	69,859,342	5,152,292	2,796,292	1.80	.67	14.91
1967	71,827,336	5,616,957	2,976,957	1.92	.76	16.07
1968	73,548,201	6,255,583	3,209,583	2.08	.82	17.36
1969	79,120,338	6,479,381	3,472,399	2.27	.90	18.77
1970	83,542,485	7,475,139	3,893,227	2.40	.90	20.63
1971	83,300,527	7,807,101	3,544,127	2.15	.98	22.44
1972	86,500,559	7,216,054	3,729,054	2.27	1.05	23.66

Net earnings for the years ended January 31, 1969, 1970, and 1971 include extraordinary gains or (loss) of $350,018, $467,088, and ($224,974) respectively. Earnings per share before these items were $2.03*, $2.10* and $2.29*.*

All per share data has been adjusted to reflect the four-for-three stock split in 1972. See note 6 of notes to financial statements.

**Restated for years 1968 through 1971 to reflect a change in accounting for an investment from the cost to equity method. The effect on earnings per share for 1968 through 1971 is $.04, ($.04), $.07 and $.09 respectively. See note 3 of notes to financial statements.*

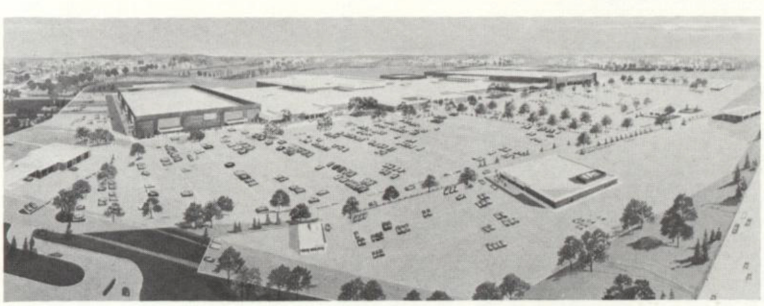
In the near future Younker Brothers, Inc. will open a new 40,000 square foot suburban store in Marshalltown Plaza, Marshalltown, Iowa.

YOUNKER BROTHERS, INC.
FINANCIAL HIGHLIGHTS

	Years ended January 31, 1972	1971
OPERATING RESULTS		
Net sales (including leased departments)	$86,500,559	$83,300,527
Earnings before extraordinary items:		
Amount	3,729,054	3,769,101*
Percent of sales	4.31%	4.52%*
Per share of common stock	2.27	2.29*
Net earnings:		
Amount	3,729,054	3,544,127*
Per share of common stock	2.27	2.15*
DISTRIBUTION OF EARNINGS		
Dividends to preferred stockholders	150,710	150,710
Dividends to common stockholders	1,656,040	1,545,535
Earnings reinvested in the business	1,922,304	1,847,882*
Dividend per share of common stock	1.05	.98
FINANCIAL POSITION		
Working capital	33,890,743	33,830,042
Current assets per dollar of current liabilities	4.31 to 1	4.01 to 1
Equity of common stockholders	37,281,009	35,346,565*
Net asset value per share of common stock	23.66	22.44*

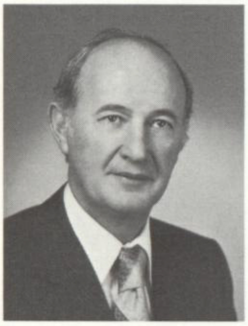
All per share data has been adjusted to reflect the four-for-three stock split in 1972. See note 6 of notes to financial statements.

**Restated to reflect a change in accounting for an investment from the cost to the equity method. See note 3 of notes to financial statements.*



A 100,000 square foot Younker's store is planned for the new North Park Shopping Center in Davenport, Iowa.

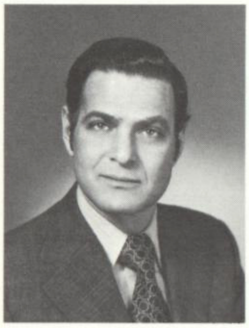
YOUNKER BROTHERS, INC. BOARD OF DIRECTORS AND OFFICERS


CHARLES DUCHEN*
President and Director


FRED A. GLYNN
Sr. Vice-President and Director

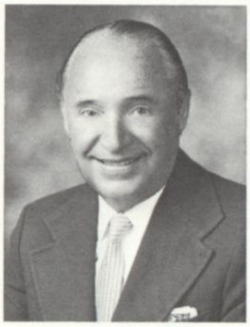

KENNETH J. McCARTHY
Vice-President and Director


STANLEY H. KRUM
Vice-President and Director


WILLIAM FRIEDMAN, JR.
Vice-President and Director

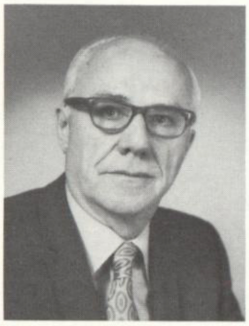

ROY RICHARDS
Vice-President and Director

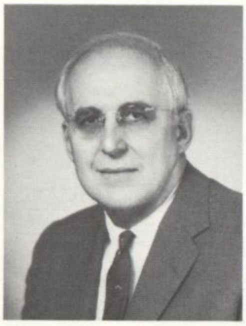

JOSEPH F. ROSENFIELD*
Chairman of the Executive Committee and Director

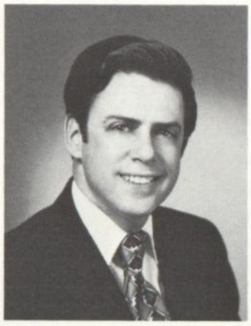

MOREY SOSTRIN
Chairman of the Board and Director

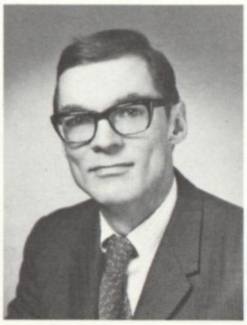

WILLIAM FRIEDMAN, SR.*
Director


STANLEY B. FRIEDMAN
Director


J. STUART KIRK
Director


ROBERT J. MANDELBAUM
Director


ROBERT LUBETKIN
Director


JOHN A. GRINER III
Director

**Member of the Executive Committee*

YOUNKER BROTHERS, INC.
STATEMENT OF EARNINGS
YEARS ENDED JANUARY 31, 1972 AND 1971

	1972	1971 Restated
Net sales, including leased departments	$86,500,559	$83,300,527
Costs and expenses:		
Cost of goods sold	55,084,170	52,599,702
Buying, selling and administrative expenses (less credit service charges) exclusive of item listed below	5,751,879	5,393,163
Salaries and wages	13,618,146	12,945,482
Property rentals, net	1,451,319	1,319,572
Depreciation (straight-line method)	1,261,251	1,063,184
Taxes other than income	1,813,554	1,687,907
Contribution to profit sharing trust	745,159	814,679
Interest and financing	611,112	656,711
	80,336,590	76,480,400
Operating income	6,163,969	6,820,127
Other income, net including interest of $409,849 ($694,278 in 1971) (note 3)	1,052,085	986,974
Earnings before income taxes and extraordinary item	7,216,054	7,807,101
Income taxes (notes 3 and 8):		
Current	3,440,000	3,976,000
Deferred	47,000	62,000
	3,487,000	4,038,000
Earnings before extraordinary item	3,729,054	3,769,101
Extraordinary item, less related income taxes of $244,000 (note 9)	—	(224,974)
Net earnings (note 3)	$ 3,729,054	$ 3,544,127
Earnings per common share based on average number of shares outstanding (notes 3, 6 and 7):		
Earnings before extraordinary item	$2.27	$2.29
Extraordinary item	—	(.14)
Net earnings	$2.27	$2.15

See accompanying notes to financial statements.

YOUNKER BROTHERS, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
YEARS ENDED JANUARY 31, 1972 AND 1971

	1972	1971 Restated
Preferred stock — no change during year	$ 2,614,200	$ 2,614,200
Common stock — no change during year (notes 6 and 7)	5,427,712	5,427,712
Additional paid-in capital:		
Balance at beginning of year:		
As previously reported	26,483	26,483
Prior years' adjustment (note 3)	1,152,411	188,868
As restated	1,178,894	215,351
Increase (decrease) in carrying value of investment reported on equity method, net of related income taxes (note 3)	(288)	963,543
Proceeds from sale of treasury stock over average cost	98	—
Balance at end of year	1,178,704	1,178,894
Reinvested earnings:		
Balance at beginning of year:		
As previously reported	29,029,406	27,319,091
Prior years' adjustment (note 3)	253,553	115,986
As restated	29,282,959	27,435,077
Net earnings for the year (note 3)	3,729,054	3,544,127
	33,012,013	30,979,204
Deduct:		
Dividends paid:		
Serial preferred stock:		
5% cumulative series, $5 per share	70,000	70,000
Second 5% cumulative series, $5 per share	10,710	10,710
7% non-callable preferred stock, $0.70 per share	70,000	70,000
Common stock, $1.05 per share ($0.98 per share in 1971) (note 6)	1,656,040	1,545,535
	1,806,750	1,696,245
Balance at end of year	31,205,263	29,282,959
Cost of common shares in treasury (note 6):		
Balance at beginning of year, 24,973 shares (1971, 4,973 shares)	(462,290)	(85,790)
No shares reacquired during year (1971, 20,000 shares)	—	(376,500)
666 shares sold during year	12,330	—
Balance at end of year, 24,307 shares (1971, 24,973 shares)	(449,960)	(462,290)
Total stockholders' equity	$39,975,919	$38,041,475

See accompanying notes to financial statements.

YOUNKER BROTHERS, INC.
BALANCE SHEETS
JANUARY 31, 1972 AND 1971

ASSETS	1972	1971 Restated
Current assets:		
Cash	$ 1,915,774	$ 4,734,793
Short-term investments (note 2)	9,493,195	6,218,324
Marketable securities, at amortized cost (quoted market 1972, $1,535,544)	1,471,766	1,227,680
Receivables, less allowance for doubtful receivables and unearned carrying charges of $593,000 ($523,000 in 1971) (note 1)	14,378,252	15,024,008
Merchandise inventories on hand and in transit, at lower of cost (first-in, first-out) or market as determined by the retail inventory method, less provision for discounts in inventories, $567,230 ($584,911 in 1971)	16,368,004	17,411,678
Prepaid expenses	499,983	464,221
Total current assets	44,126,974	45,080,704
Investments:		
Investment at equity (note 3):		
Common stock	3,836,933	3,439,281
Note receivable	684,151	961,782
Other	126,426	94,025
Total investments	4,647,510	4,495,088
Property, plant and equipment, at cost:		
Land	1,140,767	1,124,267
Buildings and improvements on owned properties	2,445,071	2,297,051
Buildings and improvements on leased properties	5,257,638	4,622,456
Furniture, fixtures and equipment	17,617,364	16,387,162
	26,460,840	24,430,936
Less accumulated depreciation	13,663,501	12,740,577
Net property, plant and equipment	12,797,339	11,690,359
Other assets	241,577	152,986
	$61,813,400	$61,419,137

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	1972	1971 Restated
Current liabilities:		
Current instalments of long-term debt	$ 734,000	$ 884,000
Accounts payable	3,873,751	4,211,033
Income taxes	1,812,418	2,419,509
Deferred income taxes (note 5)	1,437,000	1,558,000
Accrued taxes other than income	1,285,642	1,230,712
Other accrued expenses	1,093,420	947,408
Total current liabilities	10,236,231	11,250,662
Long-term debt, excluding current instalments (note 4)	9,288,000	10,022,000
Provision for self-insurance and deferred compensation	310,250	281,000
Deferred income taxes (note 5)	2,003,000	1,824,000
Total liabilities	21,837,481	23,377,662
Stockholders' equity:		
Capital stock:		
Serial preferred stock of $100 par value per share. Authorized 22,058 shares; issued:		
5% cumulative series, 14,000 shares	1,400,000	1,400,000
Second 5% cumulative series, 2,142 shares	214,200	214,200
7% non-callable preferred stock of $10 par value per share, cumulative. Authorized and issued 100,000 shares	1,000,000	1,000,000
Common stock without par value (notes 6 and 7). Authorized 2,500,000 shares; issued 1,600,115 shares	5,427,712	5,427,712
Additional paid-in capital (note 3)	1,178,704	1,178,894
Reinvested earnings (note 3)	31,205,263	29,282,959
Cost of 24,307 common shares in treasury (24,973 in 1971) (note 6)	(449,960)	(462,290)
Total stockholders' equity	39,975,919	38,041,475
Commitments and contingencies (note 10).		
	$61,813,400	$61,419,137

YOUNKER BROTHERS, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
JANUARY 31, 1972 AND 1971

	1972	1971 Restated
Working capital provided by:		
Earnings before extraordinary item (note 3)	$ 3,729,054	$ 3,769,101
Extraordinary item, less related income taxes (note 9)	—	(224,974)
Net earnings	3,729,054	3,544,127
Add charges (credits) against earnings not requiring working capital:		
Depreciation	1,261,251	1,063,184
Deferred income taxes (note 5)	179,000	208,000
Provision for self-insurance and deferred compensation	29,250	125,500
Earnings from investment reported on equity method (note 3)	(491,502)	(262,203)
Working capital provided by operations	4,707,053	4,678,608
Dividends received from General Growth Properties (note 3)	404,562	46,636
Payments on long-term portion of General Growth Properties note receivable	221,370	—
Transfer current portion of long-term notes receivable to current assets	86,184	78,572
Sale of treasury stock	12,438	—
Other	—	26,103
Total working capital provided	5,431,607	4,829,919
Working capital used to:		
Purchase property, plant and equipment, net of normal trade-ins	2,368,231	2,448,505
Pay dividends	1,806,750	1,696,245
Transfer current instalments of long-term debt to current liabilities	734,000	884,000
Purchase additional shares of General Growth Properties	300,000	—
Obtain long-term notes receivable	119,727	—
Purchase common stock of Hawkeye Communications, Inc. (note 10)	31,900	—
Purchase of treasury stock	—	376,500
Other	10,298	—
Total working capital used	5,370,906	5,405,250
Increase (decrease) in working capital	$ 60,701	$ (575,331)

See accompanying notes to financial statements.


YOUNKERS
DES MOINES, IOWA 50306

(d) Dividends received rather than equity in earnings from investment.

6. Common Stock Without Par Value

Effective June 1, 1971, by action of the stockholders of the Company, the number of authorized common shares was increased from 1,500,000 to 2,500,000, and for each three shares then outstanding, one additional share was issued (four-for-three split). All comparative net earnings and dividends paid per average share outstanding for 1971 and shares in treasury for 1971 have been restated to give effect to the split.

7. Stock Option Plan

The qualified stock option plan reserves 33,333 shares of common stock. The option price cannot be less than 100 percent of the fair market value at date of grant. At January 31, 1972, a balance of 18,666 shares, subject to options granted on May 31, 1967, at the fair market value of $18.656 per share, remained outstanding and were exercisable until May 31, 1972. On March 12, 1971, an option for 666 shares was exercised. Subsequent to January 31, 1972, options for 17,992 shares were exercised with the balance automatically terminating due to employment terminations. Potential dilution at January 31, 1972, or actual dilution on subsequent exercise of the options was not material.

8. Income Taxes

The Revenue Act of 1971 restored the investment credit which reduced the Company's income tax expense under the flow-through method by approximately $80,000. A similar reduction of income tax expense for the prior year in the approximate amount of $14,000 resulted from previous investment credit provisions of the Internal Revenue Code.

9. Extraordinary Item

The extraordinary loss for the year ended January 31, 1971, is the write-off of commercial paper issued by Penn Central Transportation Company which in 1970 filed a petition for reorganization under Section 77 of the Bankruptcy Act. Younker Brothers, Inc., is a plaintiff in a suit against Goldman, Sachs & Company from whom the paper was purchased to recover the face amount of the commercial paper, interest and costs.

10. Commitments and Contingencies

A substantial portion of store and warehouse properties are occupied under leases which expire on various dates to 2018. Aggregate minimum rental commitments on leases in effect January 31, 1972, (without credit for subrents receivable), exclusive of taxes and other related costs, are as follows for the periods indicated.

1972	$ 1,715,115
1973-82	15,789,890
1983-92	9,818,700
After 1992	3,257,700

Payments required by deferred compensation contracts will aggregate approximately $129,750 during the year ending January 31, 1973.

In a suit filed in October, 1970, the Attorney General of Iowa challenged the validity under Iowa law of a 1½ percent per month finance charge imposed on customer revolving credit accounts and also the finance charge imposed upon closed end instalment contracts. After trial in October, 1971, the trial court in January, 1972, found against all claims made by the Attorney General and upheld the validity of the charges made by the Company. The Attorney General is appealing to the Iowa Supreme Court where a decision is not likely before fall of 1972. Similar suits against two national firms doing business in Iowa have not been tried. The practice followed by the Company and other merchants, questioned by the Attorney General, is based upon a time sale price doctrine recognized in a long line of cases holding that the sale of goods for one price for cash and at a different price upon credit is not subject to usury laws. A 1970 Wisconsin Supreme Court decision reaching a different conclusion and repudiating the time-price doctrine led to the current litigation. Suits of a generally similar nature in other states attacking as usurious comparable charges have been decided with varying results. It is impossible to state the impact on the Company's operations should the Iowa Supreme Court reverse the trial court.

The Internal Revenue Service has proposed income tax deficiencies against the Company for the three years ended January 31, 1969, in the aggregate amount approximating $223,000. The Company has protested the proposed deficiencies and the matter is currently before the Appellate Division of the Internal Revenue Service. In the opinion of management of the Company, adequate provision has been provided for any ultimate liability.

In May, 1971, the Company entered into a Stock Purchase Agreement with Hawkeye Communications, Inc. (formerly Des Moines Cable Television, Inc.) to purchase 31,900 shares of common stock of $1.00 par value for the consideration of $10.00 per share or an aggregate amount of $319,000, subject to certain stipulations. At January 31, 1971, the Company had acquired 3,190 shares ($31,900) under the agreement. On February 3, 1972, an additional 14,355 shares ($143,550) were acquired. The balance of the commitment, 14,355 shares ($143,550) is due upon the demand of the Board of Directors of Hawkeye Communications, Inc.

11. Subsequent Event

On February 28, 1972, the Board of Directors of the Company declared a dividend to the holders of common stock of record on March 14, 1972, payable in stock of General Growth Properties on the basis of one share of General Growth Properties for each twenty-eight shares of the Company's common stock outstanding.

YOUNKER BROTHERS, INC.
NOTES TO
FINANCIAL STATEMENTS
JANUARY 31, 1972

1. **Receivables**

Consistent with industry practice, instalment accounts receivable have been included in current assets although there are amounts which will become due after one year.

2. **Short-Term Investments**

Short-term investments consist of certificates of deposit, commercial paper and securities of the United States Government and its agencies.

3. **Prior Years' Adjustment and Investment in General Growth Properties**

Effective February 1, 1971, in accordance with current developments in generally accepted accounting principles, the Company adopted the equity method of accounting for its approximate 21 percent investment in General Growth Properties, a real estate investment trust. Under this method, equity in the earnings of this nonsubsidiary company is reflected currently in the Company's earnings rather than when realized through dividends. Such equity earnings for the year ended January 31, 1972, amounted to $491,502 and was not materially different than dividends received after recognition of related income taxes.

The Company's investment has also been adjusted to reflect its equity in the underlying net assets of this company after giving effect to the elimination of its proportionate share of the intercompany gain, net of related income taxes on the sale of Lindale Plaza, Inc., in 1968, subsequent amortization thereof and amortization of the excess equity in net assets over cost of the shares of General Growth Properties at the various dates of acquisition.

The financial statements for 1971 have been restated to a comparable basis with a net increase, after related income taxes, of $137,567 ($.09 per average number of common shares outstanding) in net earnings from that previously reported and an increase in additional paid-in capital and reinvested earnings at February 1, 1970, of $188,868 and $115,986 respectively, net of related income taxes. These amounts represent the Company's adjusted equity in the net assets of General Growth Properties over the cost of the Company's investment at that date.

The bid price of the stock of General Growth Properties at January 31, 1972, was $33.50 per share ($21.50 per share at January 31, 1971).

The Company holds a 6½ percent second mortgage note due from General Growth Properties in monthly instalments to October 1, 1978. Current instalments of $56,261 are included with current assets.

4. **Long-Term Debt**

Unsecured long-term debt is as follows:

Promissory notes	Due in one year	Due after one year
3¾%, due 1972	$100,000	—
5%, due 1972-81	270,000	3,380,000
6½%, due 1972-88	364,000	5,908,000
	$734,000	$9,288,000

Among the provisions of the loan agreements are restrictions on the payment of cash dividends and purchases of capital stock. At January 31, 1972, approximately $14,302,000 reinvested earnings was unrestricted as to such payments.

Five-year maturities of principal are as follows:

Year ending January 31	
1973	$734,000
1974	634,000
1975	634,000
1976	634,000
1977	634,000

5. **Deferred Income Taxes**

Certain accounting practices for income tax reporting differ from those used for the financial statements. Deferred income taxes are attributable to such differences, which include:

(a) Accelerated depreciation methods rather than straight-line.

(b) Real estate considered owned rather than leased.

(c) Instalment method of reporting income from deferred payment sales rather than the accrual method.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HUBBELL BUILDING
P. O. BOX 772
DES MOINES, IOWA 50303

Board of Directors and Stockholders
Younker Brothers, Inc.:

We have examined the balance sheets of Younker Brothers, Inc. as of January 31, 1972 and 1971 and the related statements of earnings, stockholders' equity and changes in financial position for the respective years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Younker Brothers, Inc. at January 31, 1972 and 1971 and the results of its operations and the changes in stockholders' equity and financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change in accounting method, which we approve, for an investment as explained in note 3 of notes to financial statements.

Peat, Marwick, Mitchell & Co.

March 13, 1972